

## NORTH LINCOLNSHIRE COUNCIL

### COUNCIL

#### FINANCIAL STRATEGY, BUDGET 2019/20 AND MEDIUM TERM FINANCIAL PLAN 2020/23

#### 1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 The purpose of this report is to set out the council's financial strategy, and within that framework to seek approval for the budget 2019/20 and the Medium Term Financial Plan 2020/23 (MTFP). The Financial Strategy supports the delivery of the Council Plan.
- 1.2 The report provides assurance on the council's financial resilience, confirms that the estimates presented in the report are robust and that reserves are adequate. This meets the requirements of section 25 of the Local Government Act 2003 and provides a basis for Council to set a balanced budget.
- 1.3 The key decisions required in accordance with Section 31 to 52 of the Local Government Finance Act 1992 (and subsequent modifying legislation) are:
  - To set the council's revenue budget for 2019/20
  - To set the Council Tax for 2019/20
  - To approve an indicative medium term financial plan for 2020/23

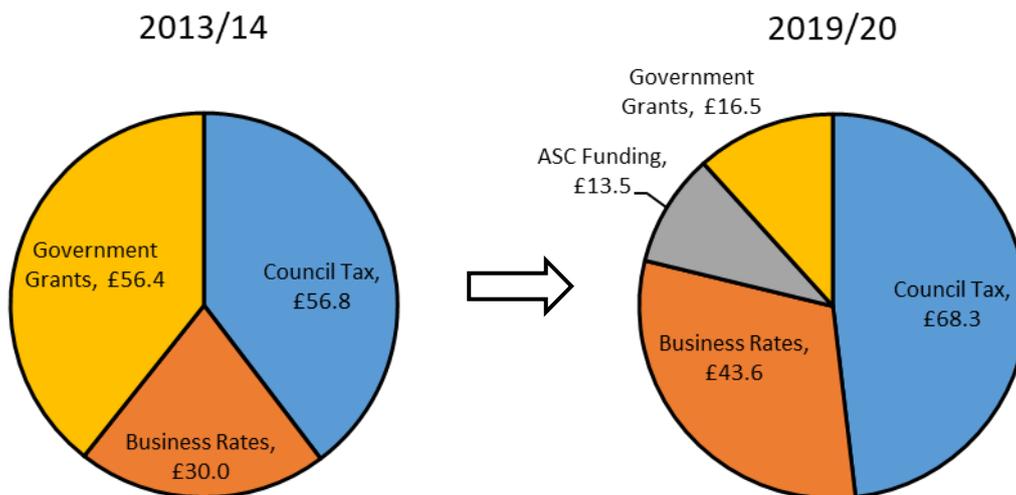
#### 2. BACKGROUND INFORMATION

##### Local Government Financial Framework

- 2.1 The council operates with legally defined powers to deliver a range of local services. These include powers to raise funding to meet the costs of delivery. The council must decide on its spending power, taking into account how much government grant, business rates it will receive and the level of Council Tax it wishes to set.
- 2.2 The council has a legal requirement to set a balanced budget for the next financial year and a robust financial forecast for the medium term financial planning period. This year a four year plan has been produced, which will

support the council in linking its anticipated resources over the period to its strategic direction, although it is important to note that the numbers are less certain further into the plan due to the potential structural changes to local government finance discussed further on in this report.

- 2.3 The established principle that the costs of running local authority services be met partly from local taxation and partly from government grant has changed in recent years. The balance between local and central funding continues to shift with a greater emphasis on local autonomy driven by a greater reliance on locally generated income. The change in the balance of funding over recent years is illustrated below (figures in £m):



#### Local Government Finance Settlement 2019/20

- 2.4 Local Government funding is predicated through a legal framework, set by Ministry of Housing, Communities and Local Government (MHCLG). The Local Government Finance Settlement 2019/20 was published on 29 January 2019 and represents the final year of a four year settlement. The key points to note from the national settlement are as follows:

- Core Spending Power increases from £45.1bn in 2018/19 to £46.4bn in 2019/20
- There is new one-off funding for Adults and Children Social Care - £630m
- It includes dedicated resources for Adult Social Care (ASC) - £4.3bn
- There is a one-off benefit from the surplus on national Business Rates levy account - £180m
- 15 new Business Rates Retention Pilots are established for 2019/20
- The New Homes Bonus threshold payment is retained at 0.4% - total funding for NHB £918m
- Rural Funding is maintained at 2018/19 levels - £81m
- Negative Revenue Support Grant - £153m available to remove the negative RSG that would have affected some local authorities

- Council Tax Referendum Principles for local authorities continue at the same level as 2018/19 – a core Council Tax limit up to 3%

### Future of Local Government Finance

- 2.5 The Government will be undertaking its next Comprehensive Spending Review in 2019 (last in 2015). This represents a national re-prioritisation exercise that considers the overall availability of resources for public services and distributes according to policy priorities. The spending review is the mechanism by which Government will take a view on locally generated resources when determining the national grant level. The spending review will set the quantum available to fund Local Government.
- 2.6 The Government is consulting on further changes which aims to introduce 75% retention of business rates from 2020 (currently 50%). This takes further the rebalancing of the finances of the sector which started in 2013/14. A fair funding review running in parallel will determine how resource is shared amongst authorities, with the key objectives to simplify the needs allocation system and ensure a fairer distribution that better reflects need to spend. This will be the first time the formula has been reviewed since 2013/14 and there could be significant changes in distribution, to reflect change in relative need.

### The Council Plan

- 2.7 The council is ambitious for North Lincolnshire and wants the area to be the best place and the council to be the best that it can be for residents. The ambition is shaping the way the council delivers and commissions in the future; how it sets its priorities; and how it engages with the public.
- 2.8 To achieve better outcomes for the people of the area the council will focus its efforts and resources on the things which will make the most difference. The 2018/19 Council Plan sets the context for the longer term ambitions and identifies the key priorities:
- Growing the economy
  - Keeping people safe and well, and
  - Enabling communities to flourish
- 2.9 As the public body elected to serve the whole of North Lincolnshire the council has a legal duty to provide or commission local public services such as waste collection and disposal, care for vulnerable adults and children and to promote public health; it is an enabler - securing good and outstanding education for all our children; it works with statutory partners including the Police, Fire and Health to ensure there is effective integration to achieve shared goals; and with the business sector to promote and grow the area's economy.
- 2.10 To get the greatest value from its own and the area's resources the council has defined the outcomes it wants to achieve for the people and place of North Lincolnshire. The way it proposes to deliver these outcomes will

determine how it allocates its financial resources in the 2019/20 budget and the 2019/23 Medium Term Financial Plan (MTFP).

## Outcomes for North Lincolnshire

Safe	Well	Prosperous	Connected
<ul style="list-style-type: none"> <li>• Safer roads</li> <li>• Safer people</li> <li>• Safer communities</li> <li>• Safer environments</li> <li>• Safer spaces</li> </ul>	<ul style="list-style-type: none"> <li>• Cleaner and greener spaces</li> <li>• Good health and wellbeing</li> <li>• Quality housing</li> <li>• Vibrant leisure and culture</li> <li>• Improved quality of life</li> </ul>	<ul style="list-style-type: none"> <li>• More jobs, better paid jobs</li> <li>• Improved skills</li> <li>• Excellent education</li> <li>• Thriving businesses</li> <li>• Accessible childcare</li> </ul>	<ul style="list-style-type: none"> <li>• Accessible transport</li> <li>• Flourishing communities</li> <li>• Superfast digital connectivity</li> <li>• Better roads and rail</li> <li>• Strong sense of pride and belonging</li> </ul>
			

2.11 While meeting its legal duties and making judicious use of its discretionary powers the council will focus on what matters most, and what the council can do best. It will collaborate with partners, where working together can meet the needs of local people more effectively. This approach includes town and parish councils, the voluntary and community sector and the private sector. It aims to build community capacity and resilience by being an enabling council.

2.12 The choices the council makes are based upon evidence, research, regulatory standards and best practice which includes a deep understanding of the population of North Lincolnshire and place based assets.

### Financial Strategy

2.13 In a time of significant readjustment to the public finances the council has made substantial efficiency savings year on year, while maintaining or improving services to local people. It is also dealing with a range of social, demographic and legislative challenges which increase demand on the council's resources.

2.14 It is paramount that the council takes the right steps to drive a robust and financially sustainable position. Without that, the delivery of the best service outcomes for local people is compromised. For that reason

the current phase of modernisation requires a more fundamental transformation of the way the council operates.

2.15 The financial strategy for achieving a sustainable council is therefore to:

- Support growth in the local economy to increase prosperity, to build community resilience and have better outcomes for people
- Invest in its workforce to ensure need is well-managed whilst maintaining quality of service and improving performance
- Find innovative ways of delivery which integrate services across the council and with partners around people and North Lincolnshire, whilst utilising the council's resources wisely
- Ensure financial decision making is based on robust plans that match our ambition and secures value for money
- Maximise income through growing the tax-base; investing wisely in its commercial activity; ensuring full cost recovery in commercial services; and taking full advantage of opportunities to access external funding sources which will support achieving the council's ambitions.

2.16 The mechanisms for translating this Financial Strategy into action are the annual budget and Medium Term Financial Plan (MTFP). These are the means for allocating resources to priorities, identifying areas for investment and disinvestment, and for directing organisational delivery of statutory duties and council ambitions.

2.17 To provide appropriate discipline to the MTFP process, the council proposes a set of budget principles to guide resource decisions, and these are set out in the table below:

<b>Theme</b>	<b>Budget Setting</b>
<b>Making Informed Decisions</b>	<ul style="list-style-type: none"> <li>• Spending decisions are aligned to agreed ambitions, goals, outcomes and priorities.</li> <li>• Revenue and capital investments are based on needs analysis and risk assessments; informed by research; demonstrate a tangible benefit to communities and mitigate against legacy costs.</li> <li>• Spend within the resource that growth allows in order to provide services</li> <li>• Levels of service delivery are affordable</li> </ul>
<b>Manage Risk</b>	<ul style="list-style-type: none"> <li>• Risk management principles are applied to financial decisions.</li> <li>• Keep those functions with high risk under more direct control.</li> <li>• Promote community empowerment - and communities determining local solutions on lower risk activities.</li> </ul>
<b>Invest in Success</b>	<ul style="list-style-type: none"> <li>• Spend on things that can demonstrate ambition, quality, value for money and improved outcomes.</li> <li>• Integrate and share services with partners where it better achieves the council's ambitions, goals and outcomes.</li> <li>• Enable community initiatives which support the social and economic wellbeing of its residents.</li> </ul>

## Financial Resilience

2.18 Financial resilience is an important consideration for council sustainability. There are a number of indicators of the current health of council finances, which form part of the overall consideration in determining financial plans and budgets.

2.19 External auditors gave a clean bill of health on the council's accounts for 2017/18 as they have each year since the inception of North Lincolnshire Council. The financial outturn for 2017/18 was positive, with net expenditure £1.4m below the cash limited budget of £131.1m.

2.20 The council is currently forecasting that its net operating cost will be £1.3m above the 2018/19 budget set at outturn. This reflects £2.9m pressures across operational services offset by savings of £1.6m in Central & Technical

budgets and demonstrates an improving position over the year with further improvement expected at the time of the final reported position. For the purposes of prudent forward planning £1.3m of reserves have been earmarked to cover this pressure.

- 2.21 The latest position continues to reflect the financial impact in 2018/19 of increased activity levels in children and adults social care, and an increase in the underlying complexity of needs which is impacting on the cost of care packages.
- 2.22 The government has acknowledged the pressures being experienced within the Adult Social Care system and have provided additional one-off grant support in 2018/19 and 2019/20, which has helped to contain the projected budget pressures in 2018/19, and provides additional resource in 2019/20.
- 2.23 The 2018/19 budget included a number of cost reduction initiatives, which inevitably bring an element of delivery risk, both in terms of value and timing. The transformation of the council into a progressive and more agile organisation will take more than one year to realise. The cost reduction initiatives have been reviewed in the medium term financial plan, with the value and phasing updated to reflect latest expectations. The majority of the 2018/19 delivery risk has been offset by alternative short-term savings.
- 2.24 In the current year the council continues to address a structural mismatch in spending and income budgets in some services, where the historic ambition was to make the area of council activity self-financing, for example budgets across active lifestyle services which have been reassessed in line with current priorities, and to recognises the health and wellbeing benefits to North Lincolnshire. A budget adjustment has been reflected in the medium term financial plan with the residual 2018/19 pressure contributing to the forecast outturn overspend.
- 2.25 In other budgets there have been improvements against previous projections, including in income recovery. Forecast income from the commercial property portfolio, planning fees and design and build fees for construction services have all increased.
- 2.26 The services budget pressure is moderated through in-year savings in Central & Technical budgets, which reflect lower capital financing costs due to the phasing of actual capital spend to date and effective treasury management and utilisation of cheaper short-term borrowing rates.

### **3. OPTIONS FOR CONSIDERATION**

- 3.1 The annual Revenue Budget for 2019/20 and Medium Term Financial Plan 2020/23 is proposed for approval in Appendix 1.
- 3.2 The revenue budget assumes a level of income from general Council Tax of £67.046m. This is based upon a general Council Tax Band D Equivalent rate

of £1,356.03, which represents an increase of 2.99% from the total 2018/19 band D rate.

3.3 The revenue budget assumes the level of income from the Adult Social Care precept of £5.191m. The Band D Equivalent precept remains at the rate set for 2018/19.

3.4 Appendix 5 sets out the relevant Council Tax precept information for approval.

3.5 In addition, as billing authority for the area, the council is responsible for levying a council tax not only to meet its own requirements, but also to meet the precepts of lower and higher tier authorities in the area, and to collect that tax on their behalf. The precepting bodies are:

- Parish and Town Councils in North Lincolnshire
- Humberside Police and Crime Commissioner
- Humberside Fire and Rescue Authority

Scunthorpe Special Expenses (SSE), which are equivalent to the parish precept, are also set by Council and form part of the core budget. The plan assumes it will increase in line with the general rate of council tax.

Precepts which have been set are shown at Appendix 5; any outstanding precepts will be available on the day of Council.

#### **4. ANALYSIS OF OPTIONS**

4.1 The revenue budget for 2019/20 represents a balanced plan for Net Operating Expenditure equal to available funding from local taxation, government grant and use of internal funds (reserves).

4.2 The Medium Term Financial Plan for 2020/23 provides a view of future funding in order to assist the longer term planning and use of council's financial resources. This is in line with best practice and takes account of factors that may have an impact on the council's spending.

4.3 The Local Government Finance Settlement 2019/20 is the final year of a four year settlement based upon the Government's last Spending Review 2015. The Chancellor of the Exchequer will present a new Spending Review later in 2019 for the next four year period. Therefore the MTFP 2020/23 is provisional and is based upon current knowledge and statements about national policy direction on public spending.

4.4 The proposed council tax level for 2019/20 is calculated in accordance with the Council Tax Referendum Principles. The Government has confirmed that any council wishing to increase the council tax by more than 3% must consult taxpayers through a local referendum. The council does not propose to exceed the referendum limit. The precept for Adult Social Care remains the same as 2018/19 levels, therefore meets the requirements set by government.

## Medium Term Financial Plan

- 4.5 This section and the related appendices consider the resources available to the Council to fund services in 2019/20 and beyond. It reviews current spending levels, likely cost pressures and the steps taken to manage financial risk to ensure that Council spending plans are affordable.
- 4.6 A summary of the funding available for the Councils' net operating expenditure is at **Appendix 1** (Table 1A). This is supported by a detailed analysis of each funding source, the assumptions made and the associated risks. It confirms the availability of financial resources this Council has to meet its statutory obligations and to deliver its local vision and ambition.
- 4.7 Overall funding for 2019/20 is £7.2m more than was anticipated when the council set its previous MTFP last year. This is a combination of additional grant funding for 2019/20 primarily for social care and higher local tax generation largely driven by a higher Taxbase and use of reserves.
- 4.8 The proposed budget for Net Operating Expenditure is at **Appendix 1**. This is shown first by priority area (Table 1B) and then by budget accountability (Table 1C). This reflects the council's approach to financial planning and alignment of resources to the Council Plan. It is restated to reflect budget holding accountabilities and operational delivery.
- 4.9 Appendix 1 (Table 1D) also presents a subjective analysis of the budget, offering an alternative profile of how the council deploys its spending and generates operational income.
- 4.10 Further budget adjustments to reflect the most up to date information at an operational budget level prior to 1 April. Any changes will be done in accordance with financial procedure rules.
- 4.11 **Appendix 2** describes the investment that will be undertaken during 2019/20 by priority area.

## Managing Risk and Opportunity

- 4.12 There are risks associated with financial plans. It is important that the council carefully evaluates risks and identifies how it will mitigate them. Analysis of both funding risk and delivery risk is included in the detail contained within the Appendices.
- 4.13 The council revised its Risk and Opportunities Protocol in January 2018, which identified the level of risk maturity. The budget and MTFP have been developed with a clear understanding about the inherent risks within which budgets are being managed.

- 4.14 Reserves are held to mitigate the financial impact of risk. The reserves statement at **Appendix 3** sets out the current level of reserves and planned use over the plan period.

## **5. RESOURCE IMPLICATIONS**

### **5.1 Robustness of Estimates**

As the council's Chief Financial Officer, I consider the proposed budget for 2019/20 to be based upon robust estimates and supported by an adequate level of reserves. Whilst the budget contains challenging targets, these are clearly identified and will be subject to specific monitoring by the council's leadership. The plans also take account of identified risks.

In summary, there is a clear understanding of the duties of the council's statutory Financial Officer and the implications of them being exercised are fully understood by members and senior management alike.

### **5.2 Adequacy of Reserves**

The reserves strategy outlined in Appendix 3 identifies the level of reserves required to be at the statutory minimum, which is represented within the general reserve balance of £7.2m. This level reflects the growth in net spend and risks identified. On the basis of this strategy, as the council's Chief Financial Officer, I consider that Council reserves will be at the minimum level necessary to provide adequate cover for current and projected risks, although the council should look to rebuild these at the earliest opportunity. It is important that Council finances are robust in times of uncertainty and achieve long term sustainability.

## **6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

- 6.1 Council protocols require an integrated impact assessment to be made for all key decisions.
- 6.2 It is a method for ensuring policies, plans and projects have been assessed to identify how any negative impact or risk can be removed or mitigated, and positive impact enhanced. It covers a number of dimensions: how the decision would impact, if at all, on individuals, families, communities and the workforce; on the local environment and economy; and on the Councils responsible delivery of its statutory duties including equality, social responsibility and reputation. Integrated impact assessments will be carried out as necessary at the point that detailed proposals for implementation are considered.

## Legal requirements

- 6.3 The budget and Council tax decision itself must meet a number of statutory requirements. These are summarised here and provide the basis for the report's recommendations.
- 6.4 When setting the budget for 2019/20 the Council has the power to decide the level of the revenue budget and the necessary Council tax to support it. Under the Local Government Act, 1988 this must be a **balanced budget** meaning that the Council must not run a deficit.
- 6.5 Additionally, under the Local Government Act 2003, the Chief Financial Officer must report to Full Council when it is considering its budget and Council Tax on:
- The **robustness of the budget estimates** being considered (Part 2 Section 25 (1)(a) of the Act) (5.1);and
  - The **adequacy of reserves** allowed for in the budget proposals. The council has to ensure that its budget makes allowances for reserves at least equal to the statutory minimum (Part 2 Section 25 (1) (b) of the Act) (5.2).
- 6.6 The Director of Governance and Partnerships is the council's Chief Financial Officer under Section 151 of the Local Government Act, 1972. Her advice is contained in **Sections 4, 5 and Appendices 1, 2 and 3**. The Act at Part 1, Section 25 (2) requires that members of the council take account of these factors in making their decisions.
- 6.7 Sections 31 to 52 of the Local Government Finance Act 1992 define what the council needs to determine as part of its budget and Council Tax decision, as modified by the Local Government Finance Act 2012 and the Localism Act 2011.
- 6.8 As the billing authority for the North Lincolnshire area the council incorporates in its resolution the precept requirements of the Police and Crime Commissioner for Humberside, the Humberside Fire Authority and local town and parish councils. It also includes the Scunthorpe Special Expense, which forms part of the council's own Council Tax allocation.

## **7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

- 7.1 The Council carried out extensive public consultation on its budget plans for the four years 2016/20, and this year's budget is the final year of that MTFP. The on-line consultation attracted 520 responses from a good cross section of residents; businesses; town and parish Councils; and charities.
- 7.2 As part of the council's ongoing engagement with business sector a range of stakeholder forums such as the Place Marketing Board and the Ambassador

Programme provide mechanisms for sharing the council's vision and ambition and engaging business representatives on aspects of the financial strategy linked to the council's priority of Growing the Economy and the development of an Economic Plan which over 100 business are signatories to.

## 8. RECOMMENDATIONS

- 8.1 To set a revenue budget for **2019/20**
- 8.2 To confirm that all budgets are strictly cash limited to the figures set by Council, and to require services to ensure tight control of expenditure during the year and to take immediate action to contain cost pressures.
- 8.3 To note that at its meeting held on 13 December 2018 Council calculated the following amounts for the year **2019/20**. These are as required by regulations made under Section 33(5) of the Local Government Finance Act 1992:-
- (a) 49,442.8 as its Council tax Base for the year [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act") (regulation 3)
  - (b) the Council tax Base for each part of the area as shown in **Appendix 5**, column 2 (regulation 6).
- 8.4 To calculate the following amounts for **2019/20**, as required by Sections 31 to 52 of the Local Government Finance Act 1992 as amended.
- (i) The **relevant basic amount of Council Tax** for 2019/20 (Council Tax requirement for the council's own purposes excluding Parish precepts)
  - (ii) The following amounts for the year 2019/20:
    - (a) £X being the aggregate of the amounts which the council estimates for the items set out in Section 31A (2) of the Act taking into account all precepts issued to it by parish and town councils. (**gross expenditure including parish precepts and special expenses**)
    - (b) £X being the aggregate of the amounts which the council estimates for the items set out in Section 31A (3) of the Act (**gross income**)
    - (c) £X being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the council in accordance with Section 31A(4) of the Act as its **Council tax Requirement** for the year. (Item R in the formula in Section 31B of the Act)

- (d) £X being the amount at (c) above Item R, divided by Item T (8.3(a) above), calculated by the council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).  
**(Band D Council Tax including parish precepts and special expenses)**
- (e) £X being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached Appendix C). **(Total of all Parish Precepts and Special Expenses)**
- 8.5 To note that for the year 2019/20 the major precepting authorities have stated the amounts in precepts issued to the council, in accordance with Section 40 of the Local Government Finance Act, 1992 (police and fire precepts).
- 8.6 To set the amounts of Council Tax for the year 2019/20 for each of the categories of dwellings. Having calculated the aggregate in each case of the amounts at 8.4 and 8.5 above in accordance with Section 31B of the Local Government Finance Act, 1992 as amended **(Council tax including police, fire and parish precept for each band and each parish)**
- 8.7 To confirm the robustness of the estimates used in setting the level of Council Tax in accordance with the Local Government Act, 2003 requirements (Part 2 Section 25 (1)(a) of the Act)
- 8.8 To confirm the adequacy of reserves included in the budget in accordance with the Local Government Act, 2003 requirements (Part 2 Section 25 (1) (b) of the Act), and the policy for use of reserves as set out in Section 3 of the report and at **Appendix 3.**
- 8.9 To approve the use of the capital receipts flexibility enabling spending charged to the revenue budget on service transformation to be capitalised as set out at **Appendix 4.**
- 8.10 To approve the indicative Medium Term Financial Plan for 2019/23.
- 8.11 That the Council's Chief Financial Officer be authorised to make technical budget adjustments to the management accountabilities structure and subjective analysis in **2019/20** in line with financial procedure rules.
- 8.12 To authorise the council's Chief Financial Officer to produce the necessary taxpayer information on the council website.

## DIRECTOR OF GOVERNANCE AND PARTNERSHIPS

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Date: 13<sup>th</sup> February 2019

### **Background Papers used in the preparation of this report**

The Local Government Settlement at

<https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2019-to-2020?utm>

Local Government Act 2003: Treatment of Costs as Capital Expenditure, letter from MHCLG 06/02/18

## Medium Term Financial Plan: Supporting Information

## Appendix 1

**Table 1A – Spending Power**

2018/19 Approved Funding £000's	FUNDING	2019/20 Proposed Funding £000's	2020/21 Provisional Funding £000's	2021/22 Provisional Funding £000's	2022/23 Provisional Funding £000's
(5,549)	<b>Use of Reserves</b>	(1,300)	-	-	-
	<b>SETTLEMENT FUNDING</b>				
-	Revenue Support Grant	(6,098)	(6,098)	(6,098)	(6,098)
(42,328)	NNDR Baseline Funding	(32,639)	(33,304)	(33,969)	(34,633)
<b>(42,328)</b>	<b>Total Settlement Funding</b>	<b>(38,738)</b>	<b>(39,402)</b>	<b>(40,067)</b>	<b>(40,732)</b>
	<b>OTHER GENERAL FUNDING</b>				
(64,372)	Council Tax: 2.99% p.a.	(67,603)	(70,173)	(72,907)	(75,740)
(5,103)	Social Care Precept: 0% p.a.	(5,191)	(5,221)	(5,255)	(5,290)
(417)	Collection Fund Surplus (-) / Deficit (+): CTAX	(711)	-	-	-
9,664	Collection Fund Surplus (-) / Deficit (+): NNDR	(2,027)	-	-	-
(13,415)	NNDR Rate Retention Income	(8,390)	(8,984)	(9,286)	(10,408)
-	NNDR: Levy Account Surplus Allocation	(501)	-	-	-
(956)	New Homes Bonus	(737)	(441)	(502)	(595)
(5,042)	Improved Better Care Fund	(6,264)	(6,264)	(6,264)	(6,264)
-	Rural Services Delivery Grant	(206)	(165)	(165)	(165)
(420)	DSG Central School Services	(420)	(420)	(420)	(420)
(476)	Adult Social Care Support Grant	-	-	-	-
-	Winter Pressures Grant	(761)	-	-	-
-	Adult & Children Social Care Support Grant	(1,300)	-	-	-
(9,312)	Public Health Grant	(9,070)	(9,066)	(9,066)	(9,066)
<b>(89,849)</b>	<b>Total Base Funding</b>	<b>(103,181)</b>	<b>(100,734)</b>	<b>(103,866)</b>	<b>(107,948)</b>
<b>(137,726)</b>	<b>TOTAL FUNDING</b>	<b>(143,218)</b>	<b>(140,136)</b>	<b>(143,934)</b>	<b>(148,680)</b>

**Table 1B – Multi-Year Investment Plan by Priority**

2018/19 Approved Budget £000's	MEDIUM TERM FINANCIAL PLAN	2019/20 Proposed Budget £000's	2020/21 Provisional Budget £000's	2021/22 Provisional Budget £000's	2022/23 Provisional Budget £000's
60,335	Keeping People Safe And Well	62,507	64,392	65,867	67,519
24,995	Enabling Communities To Flourish	25,004	23,433	23,714	23,995
8,921	Growing The Economy	8,238	8,069	8,295	8,521
20,279	Running the Business (organisation)	19,695	19,761	19,868	19,975
23,196	Running the Business (technical)	23,149	24,602	25,851	26,143
<b>137,726</b>	<b>PRIORITY TOTAL</b>	<b>138,593</b>	<b>140,257</b>	<b>143,595</b>	<b>146,153</b>
-	Inflationary Provisions	4,625	6,825	9,025	11,225
-	<b>OTHER BUDGETS</b>	<b>4,625</b>	<b>6,825</b>	<b>9,025</b>	<b>11,225</b>
-	Future Savings Pipeline	-	(6,946)	(8,687)	(8,698)
<b>137,726</b>	<b>NET OPERATING EXPENDITURE</b>	<b>143,218</b>	<b>140,136</b>	<b>143,934</b>	<b>148,680</b>

Table 1C – Accountability Framework 2019/20

MANAGEMENT ACCOUNTABILITY STRUCTURE & LIMITS	2019/20 Proposed Budget £000's
<b>Business Development:</b>	
Catering & Cleaning	(142)
Economy & Growth	(1,707)
Organisational Development	1,042
Strategic Human Resources	531
<b>Governance &amp; Partnerships:</b>	
Commissioning	9,092
Central & Technical	27,819
Financial Services	2,296
Legal & Democracy	2,696
Strategy, Information & Outcomes	5,325
<b>Operations:</b>	
Asset Management & Development	6,629
Strategic Projects	391
Transport, Highways & Environment	9,106
Waste & Public Protection	13,856
<b>Public Health:</b>	
Public Health (Hub)	1,157
<b>Learning, Skills &amp; Culture:</b>	
Access & Inclusion	4,835
Participation & Achievement	3,926
Standards & effectiveness	797
<b>Children &amp; Community Resilience</b>	
Safeguarding (Children)	5,733
Safeguarding (Organisation)	10,449
Social Work (Children & Adults)	3,098
<b>Adults &amp; Community Wellbeing</b>	
Adult Social Care	19,280
Community Wellbeing	718
Mental Health & Disability	16,291
<b>NET OPERATING EXPENDITURE</b>	<b>143,218</b>

Table 1D – 2019/20 Subjective Analysis

ANALYSIS OF 2019/20 PROPOSED BUDGET	2019/20 Proposed Budget £000's
Employees	94,237
Premises	7,252
Transport	5,468
Supplies & Services	23,845
Third Party Payments	132,346
Capital Financing	13,337
<b>EXPENDITURE TOTAL</b>	<b>276,485</b>
Sales Fees & charges	(27,062)
Rents	(5,438)
Other Income	(15,566)
Payments from other LAs	(2,590)
Joint Finance	(970)
Government Grants	(81,591)
Interest	(50)
<b>INCOME TOTAL</b>	<b>(133,267)</b>
<b>NET OPERATING EXPENDITURE</b>	<b>143,218</b>

Table 1E – Memorandum Item (DSG)

DEDICATED SCHOOLS GRANT	2019/20 Proposed Budget £000's
Maintained Schools Expenditure	58,301
Government Grants (DSG)	(58,301)

## **ANALYSIS OF FUNDING (Table 1A - Spending Power)**

1. Funding for local services is a combination of national and local resources. Taken together these determine the council's spending power. There are several elements. These are shown in the funding table and each is considered below. The basis on which they have been calculated is explained and any risk that may cause the figures to vary is explained.
2. Local resources are:
  - Council Tax, including the Social Care Precept
  - Retained Business Rates (NNDR)
  - Fees and charges for services and rental income
  - Council reserves
3. National resources are:
  - Revenue Support Grant
  - Targeted grants, primarily for Public Health and Social Care

### Council Tax

4. Council Tax is a vital source of funding to the council, both to rebalance reduced grant income- thus preserving spending power- and also from the perspective that it is the funding source over which North Lincolnshire Council has the most control. It is also far less volatile than business rates.
5. At meeting of Full Council on 13th December 2018, the Council Tax Base was set at 49,442.8 band D equivalents. This represents an increase of 1.7% compared to 2018/19. The change in base between years is due to a reduction in the cost of council tax discounts and projected growth to reflect known housing developments in the area.
6. Forward base growth of 0.6% has been assumed beyond 2019/20, reflecting the underlying trend of housing growth over the past ten years. This equates to over 300 band D equivalent properties per annum.
7. The Council has an active housing agenda, with major developments planned across North Lincolnshire. It forms a key part of the council's long-term aim to be financially sustainable and growing the local economy is a key element of this strategy. Any growth achieved over and above trend growth would result in a collection fund surplus, and boost the opening position in the next medium term financial plan.
8. In the 2019/20 Local Government Finance Settlement, the government has kept the Council Tax Referendum Limit for general council tax increases at 3%. In its core spending power assessment, it assumes that councils will increase council tax by the full amount available. This plan assumes an increase in council tax of **2.99%** in 2019/20 and all later years of the plan, which therefore assumes the flexibility to do so will continue throughout the life of the plan.

9. In addition to general council tax, councils were also given the opportunity to levy an adult social care precept from 2016/17. North Lincolnshire Council has already maximised its use of the precept therefore there will be no increase in 2019/20
10. In line with prudent practice, the council is also required to make a collection rate estimate in respect of Council Tax. For 2019/20, a collection rate of 98.1% has been assumed, which takes account of local factors.

### Business Rates

11. The tax regime for NNDR is prescribed in legislation and most elements are set nationally. That includes having the same NNDR rate in all parts of England. There are elements of the current system which are volatile and can affect how much the council receives. The main variables are considered below, and the steps taken to mitigate any risks.
12. Each business property is assigned a rateable value by the independent Valuation Office Agency (VOA). The council collects tax based on this rateable value multiplied by a nationally set multiplier. The multiplier is determined by the Secretary of State, and has been increased by 2.3% in 2019/20.
13. Since 2013/14, 50% of business rates have been retained locally. 2019/20 marks the last year of 50% business rates retention, and Government intends to increase the amount retained locally to 75% from 2020/21 with a corresponding reduction in grant. As it is not yet legislated the medium term financial plan continues to reflect the 50% retention scheme.
14. The council is a tariff paying authority, because it collects more business rates than it is deemed to need by Government, and will pay a tariff of £3.7m in 2019/20.
15. In 2018/19, the council was successful in its bid to become a 100% retention pilot for one year, having joined a wider Greater Lincolnshire bid. For 2019/20 government selected a different set of bids from non-metropolitan areas to pilot the proposed 75% retention scheme. Therefore, North Lincolnshire Council reverts to the 50% business rates retention scheme in 2019/20 which was anticipated.
16. Within the business rates scheme, a set of reliefs exist which may mean that some business properties do not pay the full amount of rates. This includes a series of mandatory reliefs that are determined nationally (e.g. empty property relief), and some for which the council has local discretion. The Chancellor's 2018 Autumn Budget contained a series of measures which will be introduced locally under discretionary relief powers in 2019/20. These include:
  - A one third discount for retail property with a rateable value below £51,000 for two years
  - A 100% relief from business rates for all standalone public toilets
  - Extension of the £1,500 business rates discount for local newspapers' office space in 2019/20.

The cost of these new measures will be borne by Central Government.

17. Business rates is a volatile source of funding, which contains a number of risks that need active monitoring and where possible managing. Business rateable values are extensively appealed as businesses are able to challenge valuations through an Appeals process to the VOA.
18. The council is required to maintain an appeals provision effectively setting aside business rates income to fund the cost of successful appeals. This is a matter of judgement. The council has a provision for 2010 list appeals which is based on trend data from resolved appeals in the system. It also has a 2017 list provision, but as there is not yet sufficient data on likely success it continues to provide at 4.7% of net rates paid locally, in line with Government assumptions at a national level.
19. The council's appeals provision is considered to be at an adequate level to cover the cost of outstanding appeals within the system. However, the risk of appeals from large taxpayers could exceed this provision and the council needs to consider as a risk mitigation measure the level of reserves it holds.
20. The government is seeking to increase the amount of business rates retained locally to 75%, offset by increasing tariffs/reducing top-ups to individual councils. This is likely to take effect in 2020/21 depending on sufficient progress being made during 2019/20. As part of this exercise, the government is expected to also review the growth within the system, which could lead to further re-distribution. North Lincolnshire is an authority that does have growth within the system, and as such a re-distribution may have a short-term detrimental impact locally.
21. In addition, the Government has committed to undertaking regular revaluations of business property rateable values, to ensure they are better kept up to date and reflect more current business environment conditions. The next revaluation is due in 2021 (three yearly thereafter), with the last being held in 2017. Normally this exercise is cost neutral to the business sector at a national level, but can vary at local level.

### Collection Fund

22. The council maintains a separate collection fund for council tax and business rates. The council makes an estimate of the total level of income it expects to receive into the collection fund at the start of the financial year, and pays out the relative share to each precepting authority. It then reviews the actual performance of the collection fund in its January estimate, which is used to forecast whether a surplus or deficit is expected to arise at the year end. Any resultant surplus or deficit is shared amongst the major precepting authorities, according to the relative share for each.
23. The optimum position would be a nil collection fund surplus/deficit, as it means that the council has accurately forecast the level of locally generated taxation. An

exact forecast is unlikely and it is important to avoid optimism bias in estimating the levels of collection. Recent experience has seen modest surpluses in Council tax and deficits in business rates.

24. The performance of the collection fund is important from a medium term financial planning perspective, as any variance is recognised in future years. A surplus is forecast for both council tax and business rates, which presents a temporary one-off benefit that can be utilised in 2019/20. Council estimate of the collection fund position in respect of the 2018/19 financial year, and the resultant net surplus factored into the medium term financial plan is a business rates surplus of £2m and a Council tax surplus of £0.7m.
25. In respect of business rates, the surplus is primarily due to a reduction in the 2010 list appeals provision, due to a number of appeals not being successful; a change to the calculation methodology that uses latest trend data; and a revised calculation for a large industrial site.
26. In respect of council tax, the surplus is due to a combination of a higher property stock than was budgeted, a lower cost of system reliefs than had been expected, and a lower write-off than had been expected.

#### Funding for Adult Social Care

27. Adult Social Care is a national policy issue, and is a priority for Government due to its relationship with the NHS system. In the 2016/17 Settlement, the government set out a funding package for social care that would increase incrementally to £3.3 billion by 2019/20. Upper tier authorities were allocated an overall share of the resource based on their relative position within the 2013 Adult Social Care Needs Formula. This comprised adult social care precept funding and the Improved Better Care Fund (IBCF). In 2019/20, these two items equate to £11.5m for North Lincolnshire in service specific funding.
28. In 2016/17 Local Authorities were also given additional flexibility to levy an Adult Social Care (ASC) Precept of up to 2%. This flexibility was enhanced in 2017/18, to enable councils to levy an additional 6% by 2019/20. North Lincolnshire Council has made full use of this flexibility in 2017/18 and 2018/19 levying a 3% increase in both years. There is no further increase in 2019/20 so the ASC Precept is maintained at the 2018/19 level. The council is required to demonstrate that the additional funds raised by the precept are applied to social care.
29. The council is clear that the Adult Social Care precept is being used to contribute to maintaining effective local services. Adult Social Care Services have been subject to significant inflationary pressures, including the increase in the National Living Wage, relatively high rates of general inflation and demographic changes. Without the Adult Social Care precept, the increasing cost of service delivery could not have been absorbed.
30. Use of the Improved Better Care Fund is agreed collectively with North Lincolnshire Clinical Commissioning Group (NLCCG), as its use is intended to

benefit both Health and Social Care through more effective joint working as part of the Better Care Fund planning requirements. The Health & Wellbeing board approve the planned use of the funding, in accordance with NHSE Planning Guidance.

31. In the Chancellor's Autumn Budget 2018, a further package of one-off social care grants was announced, totalling £650m. For North Lincolnshire, the adult social care winter pressures grant and the general social care support grant are worth in excess of £2m. Whilst not long-term, the grants are welcome and will help to resolve some of the current pressures in social care.
32. MHCLG have been working with the Department of Health and Social Care on publishing a green paper on the future of social care, and will publish shortly. This could involve fundamental change for Council service provision and future resource.

### Public Health Grant

33. The Council receives a Public Health grant from the Department of Health and Social Care, which is ring-fenced to public health activities. The grant is worth just under £9.1m in 2019/20, and it is assumed the grant remains at a similar level over the plan period. The ring-fence over public health expenditure remains for 2019/20, and Public Health England have made representation to the Department for the ring-fence to remain indefinitely. For planning purposes, the Medium Term Financial Plan treats this grant as part of the Councils core funding, as public health functions are dispersed throughout the council.

### Other Government Grants

34. A long-standing feature of local government finance has been the Revenue Support Grant (RSG), a general contribution from Government towards the cost of local services. It has been Government policy to reduce this grant year on year in line with the Treasury's plan to rebalance public finances. The allocation for North Lincolnshire in 2019/20 is £6.1m which reflects the change in government funding over the period of its spending review. The reduction in grant is also an incentive for councils to maximise their own resources through growing the local economy and therefore the local tax base.
35. The Council also receives a Rural Services Delivery Grant, an acknowledgement that the cost of providing some local government services in rural areas carries with it a greater cost. For 2018/19, the Council will receive £0.2m, as last year.
36. In 2011/12, the Government introduced a reward based grant to local government to incentivise councils to accelerate house-building locally. For every new house built, Councils would receive the value of Council tax for each property in the form of a grant, for a period of 6 years. Reducing the number of empty properties would also be rewarded in the same way. Councils would also receive £350 for every affordable house built. The incentive was scaled back last year, with 4 years now the reward period, and with the first 0.4% of growth not rewarded. That said, the grant is still worth £0.7m for North Lincolnshire in

2019/20. Further changes to the New Homes Bonus scheme are expected in future years.

37. In the Local Government finance settlement, the Government confirmed that, for the first time, the national business rates levy/safety net account was in surplus by £180m, and that it would return this funding to Council's. North Lincolnshire will receive an extra £0.5m one-off funding which it can use in 2019/20.

### **ANALYSIS OF NET OPERATING EXPENDITURE (Tables 1B, 1C, 1D & 1E)**

38. The Council's Net Operating Expenditure represents the day to day costs and income sources of council. It can be analysed in a number of ways. For financial planning purposes council resources are aligned to the priorities set out in the Council Plan (Table 1B). For day to day management the budget is allocated to heads of service (as shown in Table 1C). A subjective analysis by type of spending is provided in Table 1D.

39. The council's approach to financial planning and investment is set in the context of national legislation and policy, local policy, and research evidence on local need:

#### National Context:

- Government policy - sets the mandate to what local government does
- Government policy – need to understand how this affects local area, local people and potential impact on demand, economic and market conditions
- Government policy – sets the financial context of resource availability

#### Local Context:

- Local policy - sets out how the council responds to national policy, operating within the law, aligned to local priorities and affordable limits
- Local need – understanding our local population and area, to shape service delivery, prioritise resource, target investment/spend
- Local need – forecasting of demand based on scenarios and stress tested
- Local policy – financial planning, working within the regulations set by national policy, fees and charges, income from investments, spending plans, local determination of council tax levels, understanding how local policies impact business rates, capital investment and treasury management.

40. Under section 25 of the Local Government Finance Act 2003 it is a legal requirement for the council to have assurance, in the form of a report, that service activity in the plan period is properly costed, that proposals for spending are quantified and deliverable, and that risks are properly evaluated. The council is required to set a balanced budget; that is it may not budget for a deficit.

41. In order to set a robust and balanced budget for 2019/20, the council's budget setting process has considered the following:

- Progress against delivering the 2018/19 budget
- Increases to the cost base

- Cost reductions and efficiencies, and
- Cost management

Each element is considered in this section.

### 2018/19 Budget Review

42. In order to set a robust and balanced budget for 2019/20, it is important that the council's current financial position is properly understood.
43. The quarter 3 budget review for 2018/19 forecasts a net operating expenditure of £139.0m, which is £1.3m (or 0.9%) above the original budget. The position has improved greatly as the year has progressed, and reflects a combination of approaches to manage risks and work towards a balanced budget at year-end.
44. The quarter 3 position reflects the financial impact of increased numbers of looked after children, increased activity levels in adult services, and an increase in the underlying complexity of needs which is impacting on the cost of care packages. This is a trend replicated nationally. In addition, there have been challenges to achieving some income targets. For example the Active Lifestyles programme has recognised that an approach which places greater value on the health benefits achieved is more appropriate than a focus on achieving full cost recovery. This is reflected in the 2019/20 budget and beyond. Delays in achieving some cross council savings have been accommodated in year by an enhanced and targeted approach to vacancy management.
45. Cost pressures are being moderated in the main by in-year savings and efficient use of grant funding. The effective management of long and short-term borrowing reduces the in-year cost which in the short-term offsets service pressures. As part of the council's active approach to financial risk management, it also holds a small contingency budget. The residual £1.3m forecast overspend will require additional use of the revenue support account reserve if it materialises, and this is factored into the reserve statement in appendix 3.
46. As a result of the in-year position, the following adjustments have been made to the 2019/20 budget:
- An additional £3.1m has been allocated to Keeping People Safe and Well to reflect increased activity levels
  - An additional £0.6m has been allocated to Enabling Communities to Flourish to reduce income targets for Active Lifestyles
  - An additional £1.2m has been allocated to budgets across the council to reflect timing and delivery changes of council integration initiatives
47. The adjustments ensure the 'base' budget is right from which to build the 2019/23 medium term financial plan.

## Increases to the Cost Base

48. The council's process for the 2019/20 budget and medium term financial plan has focussed on how best to deliver the outcomes in the Council Plan, focusing on its priorities, within the resources available. This is a fundamental shift from the incremental model of budget setting.
49. Nonetheless some key elements remain. This includes projection of the current cost base to reflect inflation, activity pressures and changes to local policy. When matched to the spending power available, this determines the level of efficiencies be needed to balance the budget.
50. Adjustments have been made for:
- Contract inflation
  - Pay inflation
  - Activity led pressures
  - Prior year savings adjustment
  - Change in local policy
  - Capital financing
  - Central & Technical adjustments
51. Pay and price inflation is not wholly within the council's control and increases the cost base in 2019/20 by £7m. There is a challenge to rethink the way the council designs its offer to contain these cost increases where they exceed the increase in the council's overall resource. The MTFP factors in inflation in line with the government's CPI target of 2% where costs are contractually committed and cannot be renegotiated. It also provides for an estimated cost of the second year of the national pay award for council staff which was agreed in 2018. The implementation is subject to local agreement when the final cost will be determined. Annual increases to pay of 2% has been assumed for later years. Budgets for purchase of domiciliary and residential care have been uplifted to reflect the impact of the national living wage on the sector. The new social care grants received contribute to the increased cost of providing these services.
52. The council provides a range of services where the cost is primarily dependent on activity levels. The council's approach to risk management means that it does not simply accept rising levels of demand, and instead works to contain increases by enabling communities to be resilient and self-reliant and to ensure council intervention is targeted to reflect need. That said, there are activity increases in social care services across the country and an additional £3.1m has been allocated to these services in 2019/20.
53. In the 2018/23 medium term financial plan, the council planned to deliver £8.6m of cost base reductions. It is inevitable that not all will be delivered exactly as planned as major transformation takes time to implement. The plan in this report replaces £1.7m of savings from the previous plan with a new set of targeted cost reduction initiatives proposed in the plan.

54. A reappraisal of some policy assumptions in the 2018/23 medium term financial plan is reflected in the new 2019/23 proposal. The original aspiration was to aim for a self-financing leisure offer. However, the leisure offer has wider health and wellbeing benefits and therefore budgets have been reviewed in line with Council Plan priorities and base budgets adjusted. Local policy changes account for £1.2m increases to the cost base.
55. Finally, changes to central & technical budgets increase the cost base by £1.1m. The bulk of this relates to an increase in the underlying capital financing costs, reflecting the capital investment strategy aspirations for North Lincolnshire.
56. In total, the cost base has increased by £14.2m to ensure costs are identified and resolved as part of the budget setting process. As funding has not increased by the same amount, the Council must continue to achieve significant and sustained reductions to its cost base.

### Cost Reduction and Efficiencies

57. Over the last four years North Lincolnshire Council has achieved reductions in its net operating costs of £36.6m through the financial strategy and initiatives to reduce expenditure, increase income and generate new income, whilst still providing award winning and excellent services to residents.
58. To ensure optimum use of the council's revenue resources a strategic commissioning approach has been taken to align investment planning and budgeting to the Council Plan outlined in section 2.
59. In setting the budget regard has been given to the legal framework within which the council operates consideration has also been given to the scope of flexibility in determining how these services are provided. The council's operating model is to be enabling and commercial – maximising the availability of resources to invest in communities, maintaining and improving excellence in quality and outcomes, and ensuring that the most vulnerable people have equality of opportunity.
60. Over the term of the MTFP 2019/22 the level of cost reductions and efficiencies to compensate for cost pressures and to drive sustainability amount to £10.6m. Further reductions of up to £8.7m are required by 2021/22.
61. With this in mind the Council is committed to:
- Engage better with communities
  - Be more commercial in the way it does business
  - Be progressive and enabling
  - Be more ambitious for the area
  - Remain financially sustainable

Council redesign and being progressive in our approach will contribute to achieving financial sustainability.

62. As the council reviews the way it is structured and organised, the way in which services are delivered to the public will focus on designing services around people. It is anticipated that this will contribute to greater efficiency and is paramount to managing costs within budget. To facilitate change the council continues to invest in more cost-effective modern facilities; to optimise operational assets at a local level and integrate customer access points; and to maximise digital technology and digital approaches to improve customer experience of the council.
63. Organising services to provide intervention at the earliest point of need, bringing services together across the council and with partners for improved integration and innovation, as well as more efficient operation and a better service experience for service users is key to council redesign. It will ensure that specialist support is available for the vulnerable who need support (such as foster care or supported living); that targeted interventions help to restore resilience and independence (such as helping an elderly person live independently for longer after rehabilitation); and on a universal basis ensure the conditions are right for local people to fulfil their potential and live healthy, prosperous lives (the best educational opportunities and opportunities for work, including more well-paid skilled jobs in North Lincolnshire). Services will continue to identify opportunities to prevent need escalating and unnecessary costs being incurred. A good understanding of need, markets and research will enable resources to be targeted to achieve best return and to reduce the need for the council to intervene or respond. Leadership and management structures will reflect the changing design and transformation of the council.
64. Alternative delivery options provide opportunities for efficiencies through economies of scale and improving quality. Opportunities to work in partnership with other organisations will continue to be explored and considered where doing so achieves the council's ambitions and generates efficiencies including sharing services across public sector organisations.
65. The financial plan facilitates the further development of the council's 'Workwell' programme. The principles of Workwell are designed to create a dynamic environment which breaks down traditional service boundaries and structures, releases capacity, and empowers staff to seize opportunities, increase productivity and work collaboratively across the council to deliver better and timelier outcomes for the public. It will result in a council that is more agile, efficient and sustainable. Changes in working practices such as maximising digital enablers meaning less printing and paper; more streamlined and automated processes; and operating across just two main headquarter buildings will all promote workforce efficiencies. Vacant posts will not be automatically replaced on a like for like basis, but the opportunity will be taken to re-purpose roles that are required to deliver council priorities in the most effective and efficient way.
66. Being commercial and operating in a more business-like way is a further strand to deliver against our priorities within the available resources. By focussing on what the council can do well, making the traded offer more attractive to increase sales, whilst ensuring costs are kept to a minimum the aim is to maximise income and

recover full cost so that the council has the resources for services which matter to residents. This approach includes exploring opportunities for maximising income through our charging flexibilities to promote individual choice and control.

### Cost and Income Management

67. The commitment to build a financially sustainable council requires the council to operate within its means. This is one of the key budget principles. It places a responsibility on those tasked with managing council services to use resources wisely and to seek cost efficiencies in direct operational costs and in contracts with commissioned service providers and suppliers. Through rigorous management and review of contractual arrangements with other organisations, to ensure what the council is buying is best value and remains fit for purpose will realise some efficiencies. The council continues to seek cost savings when there is an opportunity to re-procure and also considers procuring from the market where it provides better value for money than direct council provision.
68. Budgets are strictly cash-limited and a culture of pro-active and effective cost management and delivering within budget is promoted. The emphasis of this value for money approach is to secure services at minimum cost while maintaining quality; maximising income appropriate to the market in which a service is operating, taking opportunities to secure external funding that supports the council achieve its ambitions.
69. The first line of risk management falls to budget holders who are required to manage their services within the allocated budget. This is underpinned by a council-wide active budget monitoring system which tracks performance regularly through the year and flags any divergence from budget. This allows early intervention to find solutions which bring spending back into line.
70. In addition to cost management, the organisation must also be pro-active and identify new ways to leverage additional income to create new opportunities to invest back into communities. Therefore in addition to council tax, business rates and Government grants, the Council also leverages income from other sources, including from sales, fees & charges and property rents.
71. The net operating expenditure proposed in this report makes an assumption about the level of income to be generated from other sources. The breakdown by type of income can be seen in Table 1D. As well as containing its costs to budget, the Council also needs to ensure it generates at least the level of income assumed.

### Subjective Analysis

72. This analysis provides an indicative profile of council spending by type of spend, and identifies additional sources of income in 2019/20.
73. The council directly employs around 3,100 people (approximately 2,420 full time equivalents) represented by the staffing budget. The council buys services from organisations to provide services on its behalf, and provides some services with

partners, these costs are contained within supplies and services and third party payments. The budget within third party payments also includes payments direct to people, for example support with housing and personal budgets for social care.

74. The council generates income from a number of chargeable services such as planning fees, adult social care and leisure facilities. Income is also generated for a commercial return on traded services including for example, commercial property and catering and cleaning services.

75. In total, the Council's 2019/20 expenditure plans are supported by £51.7m of income from sales, fees & charges, rents and other income. The council considers the overarching commercial principles that support setting the level of fees & charges. This includes ensuring the cost of providing certain services are borne by those benefitting from their provision.

76. However, there is always risks associated with income generation, therefore tracking and monitoring income is an integral part of financial management processes.

77. The council also receives direct government grants, provided for a specific purpose. Direct grants are either passed through the council to the intended recipient (e.g. housing benefit), or fund specific activities required by Government but not included within the overall financial settlement to local government (e.g. dedicated schools grant). This is expected to equate to £81.6m in 2019/20

78. Dedicated Schools Grant is the main source of funding for the schools sector. It includes four blocks: Schools Block; Early Years; High Needs; and a Central block. The schools block is distributed directly to schools. Table 1E sets out the amount to be passed through to maintained schools. Academies receive DSG directly from Government. The other blocks of DSG are managed by the Council, and include funding for Special Educational Needs pupils and early years. In total the grant allocated to North Lincolnshire for 2019/20 is £132.661m, an increase of £3.2m from last year. It includes additional funding for High Needs announced by the education Secretary in December 2018. Funding for North Lincolnshire maintained schools and academies in 2019/20 is:

- Schools block - £106.331m (of which £51.280m is retained by academies)
- Central school services block - £1.114m
- High needs block - £16.274m
- Early years block - £8.942m (indicative)

79. The central school services block provides funding for local authorities to carry out support functions on behalf of compulsory school aged pupils in state-funded and maintained schools and academies such as School Admissions and Education Welfare. The strands of activity managed by the Council, together with the DSG which funds it, is included within the analysis in Table 1D.

## Delivery Risk

80. In recent years demand for service has increased in adult and children's social care, due to changing demographics and assessed need. North Lincolnshire Council has a good track record for managing its demand services, with both Children's and Adults services having an excellent reputation recognised both nationally and regionally.
81. A range of benchmarking information is available to support the CFO assessment of financial resilience and sustainability. In North Lincolnshire the relative cost of adult social care remains low compared to similar councils, and the numbers of children looked after is below average. Taken together these are the most significant spending areas affecting councils' ability to balance their budgets. North Lincolnshire is therefore better placed than most to address cost pressures to its overall budget. Nonetheless steps are proposed to manage this demand through specific service initiatives, including early intervention and alternative provision designed to contain cost pressures. Additional funding from government and through the social care precept has also been deployed. The Government has indicated publication of a green paper is imminent on the long-term funding of adult social care to put it on a sustainable footing.
82. In other services which are demand driven and costs account for a significant proportion of the council's budget such as waste collection and disposal, management of demand is possible through a fresh approach, working with the public to change behaviours, combined with more efficient waste collection services which will reduce costs. A review of local waste disposal is being undertaken to ensure the most cost effective model is adopted.
83. Spending on services for children with special education needs and those requiring alternative education is being contained within the Dedicated Schools Grant available, including reserves built up in earlier years. Permanent solutions to contain costs within available funding have now been identified through agreements on budget responsibility and improved collaborative working across the school system. Some additional government funding will help the transition in 2019/20 while new approaches are embedded.
84. Projected population growth which is expected to accompany the further economic development of North Lincolnshire will bring additional demand, but also additional net resources to meet their needs through growth in the taxbase.
85. The council has internal governance arrangements established for oversight of transformation implementation and well established financial performance reporting mechanisms. This provides the mechanisms to identify and mitigate against financial implications associated with delivery risk.

<b>Priority: Enabling Communities to Flourish</b>			
<b>What is the Offer?</b>			
North Lincolnshire Council will work with residents and partners to promote wellbeing and improved quality of life. We will provide a range of services directly, together with partners or through contracts with other organisations to achieve communities that are better connected, neighbourhoods that people are proud to live, get on well and support each other and through a range of opportunities to take part in active lifestyles.			
<b>Outcome Theme</b>	<b>Detail – The council’s contribution</b>	<b>2019/20 Investment £m’s</b>	<b>2019/20 Band A Equivalent £</b>
Cleaner, greener and safer spaces and environments	<p><b>Waste Management</b></p> <ul style="list-style-type: none"> <li>Managing our waste strategy and policy to achieve a target of 1% of total waste to landfill</li> <li>A customer focussed approach to residual and recycling collection</li> <li>Enabling waste prevention through opportunities for reuse and recycling including access to household recycling centre</li> </ul> <p><b>Clean, light and tidy streets</b></p> <ul style="list-style-type: none"> <li>Provide LED street lighting</li> <li>In partnership with parish council’s and voluntary groups, ensure maintenance of parks and open spaces</li> <li>Ensure litter within streets is kept to a minimum</li> <li>Work with industry and partners to secure improvements in air quality</li> </ul>	Expenditure 18.558 Income 3.220 <b>Net Budget 15.338</b>	97.56
Safe Places & Safe Communities	<p><b>Environmental health, Trading Standards &amp; Licensing</b></p> <ul style="list-style-type: none"> <li>Deliver Environmental Health &amp; Housing services within communities that secure real improvements in public health outcomes.</li> <li>Carry out a licensing function to prevent crime, disorder, secure public safety, protect children and prevent public nuisance.</li> <li>Tackle rogue traders, criminal landlords and individuals with chaotic lifestyles.</li> <li>Carry out proportionate enforcement on roads and public spaces to improve safety and environmental quality.</li> </ul>	Expenditure 4.062 Income 3.258 <b>Net Budget 0.804</b>	5.11

	<p><b>Planning and Building Control</b></p> <ul style="list-style-type: none"> <li>• Delivering development in accordance with national and local policies - in the public interest</li> <li>• Safeguarding natural and historic environment from inappropriate development</li> <li>• Delivering safe sustainable development - through Building Control and flood risk assessments</li> <li>• Enhanced development and community benefits</li> <li>• Enable development within North Lincolnshire to derive economic benefit.</li> </ul> <p><b>Community Safety and Parking Enforcement</b></p> <ul style="list-style-type: none"> <li>• Carry out proportionate enforcement on roads and public spaces to improve safety and environmental quality.</li> <li>• Provide CCTV and other community safety initiatives</li> <li>• Bereavement Services</li> <li>• Registration Services</li> <li>• Housing Advice &amp; Support</li> <li>• Domestic Violence Advice &amp; Support</li> </ul>		
Vibrant Leisure and Culture	<p><b>Sport, Leisure &amp; Culture</b></p> <ul style="list-style-type: none"> <li>• Providing a range of community facilities that enable an active lifestyle</li> <li>• Creating access to parks and open spaces</li> <li>• Enabling young people to take part in positive activities</li> <li>• Providing community learning opportunities</li> <li>• Providing access to arts, culture and entertainment</li> <li>• Celebrating the heritage of North Lincolnshire</li> <li>• Promoting North Lincolnshire as a place to visit</li> </ul>	<p>Expenditure 9.067</p> <p>Income 5.912</p> <p><b>Net 3.155</b></p>	20.07
Quality Housing	<p><b>Housing</b></p> <ul style="list-style-type: none"> <li>• Identify housing needs of North Lincolnshire for the future</li> <li>• Partnership working with developers to ensure the right houses are built</li> <li>• Provide pathways for social housing needs to be met, working in</li> </ul>	<p>Expenditure 0.919</p> <p>Income 0.236</p> <p><b>Net 0.683</b></p>	4.34

	<ul style="list-style-type: none"> <li>partnership with Ongo and other agencies</li> <li>• Provide telehealth and telecare to help individuals to ensure their needs continue to be met whilst remaining in their own home</li> <li>• Adapting homes, improving housing standards and supporting independent living to enable people to remain safe and well in their homes and contribute to their communities</li> <li>Improve energy efficiency of the housing stock to reduce fuel poverty</li> </ul>		
Excellent Education	<p><b>Educational Access &amp; Inclusion</b></p> <ul style="list-style-type: none"> <li>• Providing a North Lincolnshire Imagination Library to encourage a love of reading from an early age</li> <li>• Ensuring sufficient good quality early years and school places</li> <li>• Ensuring high levels of educational achievement and intervening early to keep standards high</li> <li>• Creating the conditions for schools to work together, to share practice and to continue improving</li> <li>• Provide training for the education workforce</li> <li>• Supporting school governance</li> <li>• Making sure that the needs of most children are met within mainstream education</li> <li>• Ensuring children with more complex needs achieve good outcomes</li> </ul>	Expenditure 20.519 Income 16.268 <b>Net 4.251</b>	27.04
Thriving Communities	<ul style="list-style-type: none"> <li>• Helping communities to help themselves through the community grant scheme</li> <li>• Access to information, advice and guidance</li> <li>• Help young people find positive things to do</li> <li>• Celebrating our communities</li> <li>• Forecasting how communities will grow and planning to meet future needs</li> <li>• Supporting rural economies</li> </ul>	Expenditure 0.999 Income 0.226 <b>Net 0.773</b>	4.92

## Priority: Growing the local economy

### What is the Offer?

North Lincolnshire Council will work with residents and partners to lead the growth of North Lincolnshire to promote prosperity for all. We will provide a range of services directly, together with partners or through contracts with other organisations to create new businesses, jobs and opportunities for all. We aim to be a sustainable council, becoming more commercial, enabling innovation to invest back in to communities by promoting North Lincolnshire as best place to invest and live, leading to a more resilient tax base. Promoting excellence/equality of opportunity

Outcome Theme	Detail – The council’s contribution	2019/20 Investment £m’s	2019/20 Band A Equivalent £
Safe Roads, better roads and rail	<ul style="list-style-type: none"> <li>• To regulate the activities of developers and other third parties in relation to highways related matters.</li> <li>• Ensure a well maintained Highway Network through enhanced investment over and above national funding levels, as defined by the Highways Act 1980.</li> <li>• Consider all transport needs for the North Lincolnshire area when planning future transport infrastructure and networks</li> <li>• React to highway faults and hazards on a prioritised basis</li> <li>• Maintain an efficient &amp; effective street lighting network</li> <li>• Safeguard our priority highways network over the winter period, in line with national standards as a minimum</li> <li>• Ensure safe road crossing points along key roads including main school routes, including through school crossing patrols</li> <li>• Road safety education, training (including cycling) &amp; publicity for younger people</li> <li>• Provide advice &amp; information on safe road behaviour in partnership with Safer Roads Humber</li> <li>• Implement measures to control speeding in accordance with our speed management strategy</li> <li>• Ensure safety of highways bridges</li> <li>• Maintain network of traffic signs, lights and control systems</li> <li>• Manage the local road network to enable traffic to move freely and quickly on North Lincolnshire’s roads and roads of nearby local</li> </ul>	Expenditure 10.207 Income 5.925 <b>Net 4.282</b>	27.23

	authorities and the strategic network		
Accessible Transport	<ul style="list-style-type: none"> <li>• Support a concessionary public transport scheme to ensure access to affordable public transport services for as many people as possible</li> <li>• Provision of a parking permit scheme for people with disabilities</li> <li>• Subsidise the provision of public transport where the provision is otherwise not commercially viable</li> <li>• Maintain a demand responsive local bus service to meet the needs of rural communities</li> <li>• Wheels to work scooter hire to help people to get to work, college or training</li> <li>• Enable the provision of home to school transport and home to college transport services</li> <li>• Provide a free wheelchair and mobility scooter hire service in Scunthorpe town centre</li> </ul>	Expenditure 9.800 Income 2.126 <b>Net 7.674</b>	48.81
Growing business, more jobs, better paid jobs	<ul style="list-style-type: none"> <li>• Develop and manage a commercial property portfolio that suits current and future business needs &amp; support the Councils sustainability through rental &amp; lease income.</li> <li>• Encourage &amp; enable increased quality of North Lincolnshire as a place for local businesses, residents &amp; those investing &amp; visiting the area, for example investment in St.Johns market to improve and expand the town centre experience</li> <li>• Encourage and enable business growth, productivity and stability leading to more and better paid jobs throughout North Lincolnshire</li> <li>• Encourage and support new businesses</li> <li>• Promote and attract new business to North Lincolnshire as best place for new investment</li> </ul>	Expenditure 2.544 Income 6.224 <b>Net -3.680</b>	0.00
Enhanced skills	<ul style="list-style-type: none"> <li>• Providing learning &amp; skills development through the Adult &amp; Community Learning service</li> <li>• Providing employability focussed skills, training and guidance on job opportunities</li> </ul>	Expenditure 1.386 Income 1.388 <b>Net -0.002</b>	0.00
Access to childcare	<ul style="list-style-type: none"> <li>• Maximising the use of early education (childcare provision) for eligible 2 year olds and 3 &amp; 4 year olds</li> </ul>	Expenditure 9.129 Income 9.165	0.00

	<ul style="list-style-type: none"> <li>Ensure sufficient levels of childcare are available in North Lincolnshire to meet the needs of our communities</li> </ul>	<b>Net</b>	<b>-0.036</b>	
<b>Priority: Keeping people safe and well</b>				
<b>What is the offer?</b>				
North Lincolnshire Council will work with residents and partners to lead the place of North Lincolnshire to promote wellbeing, prevent harm and prioritise the most vulnerable. We will provide a range of services directly, together with partners or through contracts with other organisations to keep children and adults safe and achieve a better quality of life for everyone. We will work with children, young people, adults, families and carers to enable people to live well for longer, in their own homes, families and communities.				
<b>Outcome Theme</b>	<b>Detail – The council’s contribution</b>	<b>2019/20 Investment £m’s</b>		<b>2019/20 Band A Equivalent £</b>
Safer People	<p><b>Safer Children</b></p> <ul style="list-style-type: none"> <li>Providing targeted family support in localities</li> <li>Ensuring high quality Children’s Social Work assessment and child protection arrangements</li> <li>Working in partnership with partners to provide Youth Offending services</li> <li>Promoting and ensuring robust Safeguarding arrangements and partnerships</li> <li>Providing accommodation for children who need to be Looked After.</li> <li>Assessment and support to disabled children &amp; those with Special Educational Needs</li> </ul>	Expenditure	18.545	105.09
		Income	2.023	
		<b>Net</b>	<b>16.522</b>	
	<p><b>Safer Adults</b></p> <ul style="list-style-type: none"> <li>Access to preventative services via Community Wellbeing Offer and community response service</li> <li>Home First - Rehabilitation &amp; Reablement support, hospital, community, residential</li> <li>Providing Social Care assessment and Support Planning</li> <li>Access to Personal Budgets</li> </ul>	Expenditure	54.241	270.42
		Income	17.539	
		<b>Net</b>	<b>36.702</b>	

	<ul style="list-style-type: none"> <li>• Access to Assistive Technology and aids to support daily living</li> <li>• Facilitating, developing and shaping high quality provider markets to ensure sufficient care and support provision is available</li> <li>• Promoting and ensuring robust Safeguarding arrangements and partnerships</li> <li>• Oversight of Deprivation of Liberty Safeguards and DOLIC assessments</li> <li>• Community, targeted and 1-1 support for adults with care and support need</li> <li>• Mental Health Act assessments, including Approved Mental Health Practitioner duties</li> </ul>											
Good health and wellbeing	<p><b>Public health services</b></p> <ul style="list-style-type: none"> <li>• Commissioning of a comprehensive Sexual health service</li> <li>• Commissioning of Substance misuse services</li> <li>• Commissioning Health Visitor and School Nursing services</li> <li>• Ensuring access to NHS Health Check for 40 -75 year olds</li> <li>• Commissioning of a local Healthwatch service</li> </ul>	<table> <tr> <td>Expenditure</td> <td>11.586</td> <td></td> </tr> <tr> <td>Income</td> <td>2.303</td> <td></td> </tr> <tr> <td><b>Net</b></td> <td><b>9.283</b></td> <td></td> </tr> </table>	Expenditure	11.586		Income	2.303		<b>Net</b>	<b>9.283</b>		59.04
Expenditure	11.586											
Income	2.303											
<b>Net</b>	<b>9.283</b>											
<p><b>Priority: Running the Business (Organisation Enablers)</b></p>												
<p><b>What is the Offer?</b></p>												
<p>North Lincolnshire Council is a public body elected to serve the whole of North Lincolnshire responsible for providing hundreds of essential services. As a public accountable body we must make sure that we run the business well and continue to be able to operate as a going concern. That means spending money wisely and looking after our assets to ensure we can get things done as promised and to ensure that we can demonstrate this to our residents and regulators. We continually strive to keep our running costs as low as possible and that means changing the way we do business to remain financially sustainable.</p>												
<p><b>Detail – The council’s contribution</b></p>		<p><b>2019/20 Investment £m’s</b></p>	<p><b>2019/20 Band A Equivalent £</b></p>									
<p><b>Elected members and decision making</b></p> <ul style="list-style-type: none"> <li>• We will run open and transparent elections and support elected members to maintain high standards and enabling robust decision making processes</li> </ul>		<table> <tr> <td>Expenditure</td> <td>1.565</td> <td></td> </tr> <tr> <td>Income</td> <td>0.044</td> <td></td> </tr> <tr> <td><b>Net</b></td> <td><b>1.521</b></td> <td></td> </tr> </table>	Expenditure	1.565		Income	0.044		<b>Net</b>	<b>1.521</b>		9.67
Expenditure	1.565											
Income	0.044											
<b>Net</b>	<b>1.521</b>											

<p><b>Leading the Organisation</b></p> <ul style="list-style-type: none"> <li>• Have a highly skilled, professional senior leadership structure to ensure effective, high quality services that are responsive to the people and place of North Lincolnshire</li> <li>• Effective assurance and performance management</li> </ul>	<p>Expenditure 2.004 Income 0.000 <b>Net 2.004</b></p>	<p>12.75</p>
<p><b>Professional and Technical Advice</b></p> <ul style="list-style-type: none"> <li>• Have robust structure and systems in place to ensure proper accounting and reporting that facilitates prompt payment to suppliers.</li> <li>• Is a responsible employer</li> <li>• Maintain and develop responsive, modern, secure IT systems and infrastructure</li> <li>• Ensure we operate within the law</li> </ul>	<p>Expenditure 13.457 Income 2.296 <b>Net 11.161</b></p>	<p>70.99</p>
<p><b>Maintaining Council Assets</b></p> <ul style="list-style-type: none"> <li>• Ensure we have well maintained and safe buildings from which we can deliver services Ensure we have a suitable and well maintained fleet of vehicles and equipment to meet the needs of the NL area.</li> </ul>	<p>Expenditure 19.367 Income 13.598 <b>Net 5.769</b></p>	<p>36.69</p>
<p><b>Customer Access, Taxation and Benefits</b></p> <ul style="list-style-type: none"> <li>• Maximise collection of local taxation</li> <li>• Process claims for financial support within the standards we have set</li> <li>• Enable access to a range of customer services on-line.</li> </ul>	<p>Expenditure 50.513 Income 49.229 <b>Net 1.284</b></p>	<p>8.17</p>
<p><b>Commercial Operation</b></p> <ul style="list-style-type: none"> <li>• Provision of Commercial catering and cleaning unit</li> </ul>	<p>Expenditure 5.858 Income 6.244 <b>Net -0.386</b></p>	<p>0.00</p>
<p><b>Financing and Levies</b></p> <ul style="list-style-type: none"> <li>• Invest and borrow in line with our Treasury Management Strategy</li> <li>• Maintain the required level of insurance to mitigate against risk</li> <li>• Contribute the necessary levies to organisations such as drainage boards</li> </ul>	<p>Expenditure 30.050 Income 3.934 <b>Net 26.116</b></p>	<p>166.11</p>



## RESERVES

## Appendix 3

2017/18 £000's Actual	2018/19 £000's Estimate		2019/20 £000's Estimate	2020/21 £000's Estimate	2021/22 £000's Estimate	2022/23 £000's Estimate
		<b>REVENUE RESERVES</b>				
		<b>Corporate Reserves</b>				
6,858	6,858	General Fund	7,158	7,458	7,758	8,058
14,269	6,100	Revenue Support Account	-	-	-	-
1,116	-	NNDR Smoothing Reserve	-	-	-	-
1,817	1,417	Public Health	1,217	1,217	1,217	1,217
<b>24,060</b>	<b>14,375</b>	<b>Total Corporate Reserves</b>	<b>8,375</b>	<b>8,675</b>	<b>8,975</b>	<b>9,275</b>
		<b>Earmarked Reserves</b>				
269	269	Safety Camera Partnership	189	109	109	109
233	155	Scunthorpe Special Expenses	155	155	155	155
284	284	Insurance Fund Profit/Loss	284	284	284	284
38	38	Shared Service Development	-	-	-	-
257	-	PTA Revenue Reserve	-	-	-	-
182	182	DSG-Delegated	182	182	182	182
16	16	Crematorium enhancement	16	16	16	16
159	158	Developers Contributions	158	158	158	158
-	-	Organisational Development	-	-	-	-
50	50	Financial Systems	-	-	-	-
99	49	Taxi Licensing	24	-	-	-
240	240	Elections	30	30	30	30
175	-	IT Software	-	-	-	-
72	-	Community Grants EMR	-	-	-	-
<b>2,074</b>	<b>1,441</b>	<b>Total Earmarked Reserves</b>	<b>1,038</b>	<b>934</b>	<b>934</b>	<b>934</b>
		<b>Grant Reserves</b>				
7,811	3,157	Grant Balances	1,880	1,273	1,273	1,273
<b>7,811</b>	<b>3,157</b>	<b>Total Grant Reserves</b>	<b>1,880</b>	<b>1,273</b>	<b>1,273</b>	<b>1,273</b>
		<b>School Reserves</b>				
1,634	1,300	Schools Balances	1,300	1,300	1,300	1,300
1,767	1,106	Dedicated Schools Grant	1,106	1,106	1,106	1,106
<b>3,402</b>	<b>2,406</b>	<b>Total School Reserves</b>	<b>2,406</b>	<b>2,406</b>	<b>2,406</b>	<b>2,406</b>
<b>37,347</b>	<b>21,379</b>	<b>TOTAL RESERVES</b>	<b>13,699</b>	<b>13,288</b>	<b>13,588</b>	<b>13,888</b>

### Reserves Policy

1. The Council is required under section 25 of The Local Government Act 2003 to report on the adequacy of the level of reserves proposed in its budget. The Government also has a reserve power to set a minimum level of reserves, under section 26 of the same act. It is not expected that this power will be used to set a nationwide level of reserves however it is best practice for each Council to carry out its own exercise to determine both the level of reserves it is prudent to carry and how far they can be deployed to support Council spending plans.
2. The Council holds reserves for three key purposes. They are held either; to responsibly manage risk, for a specific purpose, or on behalf of others. Reserves help the Council manage risks and challenges in a number of ways:

- To give the council sufficient resilience to withstand funding or expenditure shocks
- To facilitate transformation and transition to a lower cost council
- To carry forward unapplied grant to cover costs in future years

Given the upcoming changes to Local Government finance, there is a greater need for reserves to cover risk.

3. As discussed in the report, there are two major risks that require reserve availability – financial risk and delivery risk. **Financial risk** relates to sudden shocks in funding or expenditure. Not being able to deliver cost reduction initiatives in the medium term financial plan in part or in full is **delivery risk**, and Council needs sufficient reserves to cover the possibility that initiatives may take longer to implement than envisaged.

#### **Reserves held for risk management (£7.2m)**

4. The long standing policy of this Council has been to maintain a general reserve of around 5% of net operating expenditure. This has been assessed as an appropriate level to cover inherent risk. This reserve essentially acts as the reserve of last resort, and if ever used must be replenished as soon as possible thereafter. The current balance is £6.9m, but with the greater financial challenge of transformation and uncertainty about the impact of future funding reforms it is judged prudent to increase this reserve year on year, when Council achieves an underspend in its revenue budget. The plan assumes an annual contribution of £0.3m.

#### **Reserves held for a specific purpose (£4.1m)**

5. There are several reasons why a reserve could be held for a specific purpose. The Revenue Support Account has been used in the past to smooth reductions in Government funding, or to facilitate transformation and the time it takes to transition to a lower cost Council. This reserve is fully used in the plan period.
6. Services hold some modest earmarked reserves and grant reserves, which must be spent in line with the conditions attached to the original allocations. The Council also has a public health reserve, which must be spent in accordance with the Public Health outcomes framework.

#### **Reserves held on behalf of others (£2.4m)**

7. The Council holds two reserves that may only be used to support spending in schools or in support of schools. These balances have been set aside from Dedicated Schools Grant. How school reserves are applied is a matter for individual schools according to their individual circumstances. There are a number of drivers that can affect these balances over the period of the plan. At school level these include variations in pupil numbers; cost pressures; the move to a national funding formula. At a collective council level there are impacts to be managed in High Needs funding and in ensuring the stability of the school funding system at a local level.

As part of the Government’s 2016/20 financial settlement to Local Government, it provided local authorities with the opportunity to use capital receipts to fund revenue costs of transformation, which ultimately result in a lower cost base for the organisation.

The Government provided a definition of expenditure which qualifies to be funded from capital receipts. This is:

*“Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.”*

As part of the 2018/21 Financial Plan, the Council identified an opportunity to make use of the flexibility to support the movement towards a lower future cost base, which also preserves revenue balances which can be used to help smooth the reduction in Government funding and protect vital services.

In the guidance issued by Government, local authorities should prepare a strategy prior to the start of the financial year (the “initial strategy”) listing as a minimum the projects which plan to make use of the capital receipt flexibility and that details of the expected savings/service transformation are provided on a scheme by scheme basis. The “initial strategy” may then be replaced at any point during the financial year with a “revised strategy”, which should reflect an up to date position.

This appendix outlines the “initial strategy” for 2019/20 which requires Council approval, with notification then being sent to the Department for Communities and Local Government (DCLG).

The Council’s assumed use of capital receipt flexibility in 2018/19, 2019/20 and assumptions for future years are as follows:

	2018/19	2019/20	2020/21	Total
Planned Use of Capital Receipt Flexibility (£'000)	1,284	1,500	500	3,284

The table below sets out the schemes which the Council intends to apply capital receipts against in 2018/19, and therefore forms the basis for the “initial strategy” for 2019/20:

<b>2019/20</b>			
<b>Theme</b>	<b>Activity</b>	<b>Amount (£)</b>	<b>Notes</b>
Funding the cost of service reconfiguration, restructuring or rationalisation	Service changes	700,000	The redesign of services will require a new mix of skills and a range of technical and professional expertise in many areas. While every effort will be made to ensure these changes are kept to a minimum it is likely that some costs will be incurred to facilitate individual choices and to make sure that the workforce has the right level of specific skills and knowledge to support new ways of working. In addition, more efficient ways of working, work well for example, will also rely on enhanced digital capabilities which will require initial investment over and above the working revenue budget.
	Organisational Development	110,000	In order to support the emerging commercial and transformative vision, the Council has invested in organisational change support which is designed to improve management capabilities and enable them to support the change which the Council is going through and contributes to the overall transformation agenda.
	Transformation Support Team	330,000	A transformation support team is responsible for the delivery of a number of cross cutting major transformation schemes. These include; ensuring better utilisation of council assets through asset rationalisation and implementing a corporate landlord approach, community redesign, Workwell, the University Campus North Lincolnshire project and community hub project. The Team is responsible for supporting transformation implementation.
	Strategic Transformation	300,000	The council is transforming the way it is structured and how it engages with the public. The strategic work has three transformation implementation priorities: enablers which are: Workwell; Wellbeing at work and Council Redesign, supported by the organisational enablers: Digital Solutions and Public Engagement. The implementation of transformation will enable to council to deliver ongoing revenue savings of £10.6m by 2022/23.
	Integrated HR/Payroll and Finance System Implementation	60,000	The council wants to invest in its Human Resources, Payroll and Financial Management Systems. It is envisaged that the improved system will lead to a reduced cost of administration and financial management and also improve the quality of information used assessing the cost and benefit of transformational activities as well as supporting the commercial agenda through advanced management information.
<b>Total</b>		<b>1,500,000</b>	

### **Impact on Prudential Indicators**

At this stage, there is not expected to be any impact on Prudential Indicators.

## Council Tax Precepts 2019/20

## Appendix 5

Parish or Area	Local Tax Base	Precept	Band D
Alkborough	157.1	5,227.0	33.27
Amcotts	77.6	3,114.0	40.13
Appleby	233.6	10,495.0	44.93
Ashby Parkland	235.1	4,000.0	17.01
Barnetby le Wold	522.7	23,000.0	44.00
Barrow on Humber	1,047.3	51,500.0	49.17
Barton upon Humber	3,603.2	159,730.0	44.33
Belton	1,165.2	25,000.0	21.46
Bonby	192.5	12,481.0	64.84
Bottesford	3,568.0	89,950.0	25.21
Brigg	1,708.8	118,319.0	69.24
Broughton	1,674.0	116,873.0	69.82
Burringham	216.6	11,930.0	55.08
Burton upon Stather	962.4	59,890.0	62.23
Cadney cum Howsham	152.3	9,000.0	59.09
Crowle	1,549.8	58,281.0	37.61
East Butterwick	45.1	0.0	0.00
East Halton	208.1	6,613.0	31.78
Eastoft	146.9	4,200.0	28.59
Elsham	164.1	8,000.0	48.75
Epworth	1,575.3	57,861.7	36.73
Flixborough	525.5	13,000.0	24.74
Garthorpe & Fockerby	138.9	9,000.0	64.79
Goxhill	796.9	54,500.0	68.39
Gunness	631.9	28,760.0	45.51
Haxey	1,675.2	38,690.0	23.10
Hibaldstow	770.2	13,940.0	18.10
Horkstow	58.2	1,400.0	24.05
Keadby with Althorpe	482.8	31,331.0	64.89
Kirmington & Croxton	127.7	8,669.0	67.89
Kirton in Lindsey	1,046.0	93,149.0	89.05
Luddington & Haldenby	115.8	7,000.0	60.45
Manton	42.4	0.0	0.00
Melton Ross	70.3	4,800.0	68.28
Messingham	1,337.7	57,000.0	42.61
New Holland	250.2	21,155.0	84.55
North Killingholme	89.5	6,000.0	67.04
Owston Ferry	454.2	24,537.0	54.02
Redbourne	157.5	11,927.0	75.73
Roxby cum Risby	152.4	7,500.0	49.21
Saxby all Saints	89.5	6,712.0	74.99
Scawby cum Sturton	795.5	37,000.0	46.51
Scunthorpe	* 16,039.1	0.0	
South Ferriby	212.3	12,473.0	58.75
South Killingholme	298.7	15,745.0	52.71
Thornton Curtis	98.7	2,527.0	25.60
Ulceby	543.7	15,000.0	27.59
West Butterwick	264.4	2,000.0	7.56
West Halton	114.5	4,861.0	42.45
Whitton	87.2	2,567.0	29.44
Winteringham	333.9	19,500.0	58.40
Winterton	1,369.4	114,125.8	83.34
Wootton	176.0	7,000.0	39.77
Worlaby	201.3	14,838.0	73.71
Wrawby	510.9	13,000.0	25.45
Wroot	178.7	9,935.00	55.60
	<u>49,442.8</u>	<u>1,545,106.52</u>	
<b>Other Precepting Authority</b>			
Humberside Police	49,442.8	11,041,071.67	223.31
Humberside Fire and Rescue Service	49,442.8	4,199,671.43	84.94

\* To be set at Council